MAY 3, 2022

Ministry of Energy and IESO update on Industrial Conservation Initiative (ICI)

Tim Christie
Director of Electricity Policy, Ministry of Energy

Richard Zaworski
Senior Manager of Market Settlement, IESO

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Agenda

- Introduction and Overview
- Regulation 429/04 Amendments
- Role of IESO for ICI
- Ontario Demand and Reports Overview
- PDF-setting
- ICI Timelines
- Q&A

Introduction / Overview

- On April 1, 2022, the government filed amendments to Ontario Regulation 429/04 under the *Electricity Act, 1998*, following consultation with stakeholders.
    - O. Reg. 429/04 is the regulation that allocates Global Adjustment (GA) costs to electricity consumers and establishes the framework for the Industrial Conservation Initiative (ICI).
- The amendments will take effect May 1, 2022 and are largely aimed at reducing the regulatory burden and preserving the policy intent of ICI. Note: the amending regulation is O. Reg. 257/22 and is available here: https://www.ontario.ca/laws/regulation/r22257
- A notable change to the regulation is related to the determination of peak demand hours. Once the amendments come into effect, the regulation will use real-time Ontario demand as the basis for determining the five peak hours under ICI, which will improve cost visibility for ICI participants.
- The following slides review the amendments to O. Reg. 429/04.

O. Reg. 429/04 Amendments – Consultation with Stakeholders

- In November 2021, the Ministry of Energy (ENERGY) posted a proposal to amend O. Reg. 429/04 on Ontario's Regulatory Registry for 45 days. Many of the proposed amendments were aimed at addressing concerns raised by stakeholders in the 2019 Consultation on Industrial Prices related to regulatory burden. The posting also included a proposal to facilitate an interruptible Rate Pilot. The comment period for the proposal closed on December 20, 2021. ENERGY received **41 stakeholder submissions.**

- Stakeholders that submitted comments include:

  1. Industry associations;
  2. Local distribution companies;
  3. Consumers; and
  4. Energy managers/consultants.

- Following the closing of the Regulatory Registry posting, ENERGY consulted directly with the Independent Electricity System Operator (IESO), Ontario Energy Board (OEB) and local distribution companies to finalize the proposal, including the associated regulatory amendments.

Determining Peak Demand Hours

"peak hours" means, in respect of a base period, the following five one-hour periods in the base period, determined in accordance with the rules set out in subsection 9 (4):

1. The one-hour period in the base period in which the greatest volume of electricity was dispatched through the IESO-administered markets for the purpose of supplying Ontario demand.

- Beginning May 1, 2022, the five peak hours under ICI will be determined based on real-time Ontario demand.
  - Class A customers can track in real-time the measurement of demand that is used to identify peaks instead of having to wait 20 business days for coincident adjusted AQEW values to be posted.
- Several stakeholders, in commenting on the proposal, indicated a preference for the use of real-time Ontario demand.
- Overall, the shift to the use of real-time hours in the regulation is expected to result in reduced regulatory burden for Class A customers as well as represent an improvement in overall fairness and transparency.

Publication of Information by IESO

Publication of necessary information by IESO

9. (1) The IESO shall publish,

(a) the volume of electricity dispatched through the IESO-administered markets for the purposes of supplying Ontario demand during each hour in each base period;

(b) the peak hours in each base period; and

(c) the amount calculated under subsection 11 (4.1) for the definition of "W" for each base period.

- Once the amendments take effect, the IESO will be required to publish Ontario demand data each hour, within 60 minutes after the end of the hour.
- The IESO will also be required to publish the peak hours in each base period as well as the value of "W" (i.e., the denominator for the purposes of determining Class A customers' peak demand factors) on the third business day following the end of the base period.

Partial Ownership Changes

- Other amendments to the regulation address partial changes of ownership. An example of a partial change of ownership is a Class A consumer that owns two large buildings at its facility and sells one to another business.

- Under the amended regulation, once several conditions are met, the two portions of the facility will be billed separately as Class A consumers. The conditions include:

  1. Prior to the effective date, the seller ("transferor" in the regulation) is invoiced for electricity distributed to the transferred and untransferred portions of the load facility under the same account with the LDC or the IESO;
  2. There must be a separate LDC or IESO-installed meter for the transferred portion of the facility;
  3. The seller and buyer ("transferee" in the regulation) could both reasonably be expected to be Class A consumers in the remainder of the adjustment period and the next adjustment period (or the next two adjustment periods if the transfer takes place between May 1 and June 30);
  4. The seller and the buyer reach an agreement regarding the share of the total peak demand factor that each is responsible for during the time period contemplated in condition #3 above.
  5. The buyer provides written notice of the transfer, the legal names of the seller and buyer, a copy of the agreement referred to in condition #4 above and the date of the transfer to the licensed distributor;
  6. The buyer provides to the LDC or the IESO such additional information regarding the seller, the buyer or the transfer as the licensed distributor may request, within the time specified in the request;

- Note: the effective date of the partial transfer is ten business days after the LDC or the IESO receives the notice in #5 above.

O. Reg. 429/04 – Other Notable Amendments

Apart from the move to the use of real-time demand, other important changes to the regulation include the following:

1. Administration of changes of ownership – Beginning on May 1, LDCs will administer transfer of ownership requests instead of the Minister of Energy. The new owner must provide the LDC with a written notice of the transfer, the legal names of the transferor and transferee, the date of the transfer, and any other information as the LDC requests.

2. Conservation and demand management (CDM) – Updates that continue to allow customers that fall below the ICI eligibility threshold while participating in CDM programs to retain eligibility.

3. Requirement to provide information – On an annual basis, Class A customers will be required to provide information related to their load facilities to the Ministry of Energy (note items a to c would be collected on an anonymized basis):

    a. Consumption;
    b. Average maximum monthly demand;
    c. Peak demand factor; and
    d. North American Industry Classification System (NAICS) code.

O. Reg. 429/04 – Administrative Amendments

- A number of the regulatory amendments are administrative. In no particular order, these amendments include:

1. The IESO now has until June 30 each year to notify LDCs of their peak demand factors, rather than May 31. This change will have no impact on ICI participants.
2. Changes to the calculation of the peak demand factor for a Class A market participant to include electricity injections into the IESO-controlled grid and into distributions systems by electricity storage facilities.
3. To remove potential ambiguity in the regulation, all instances of “net volume” have been changed to “volume”.
4. Changes to the information IESO is required to publish related to the calculation of peak demand factors to include electricity injections from certain electricity storage facilities into the IESO-controlled grid or a distribution system.

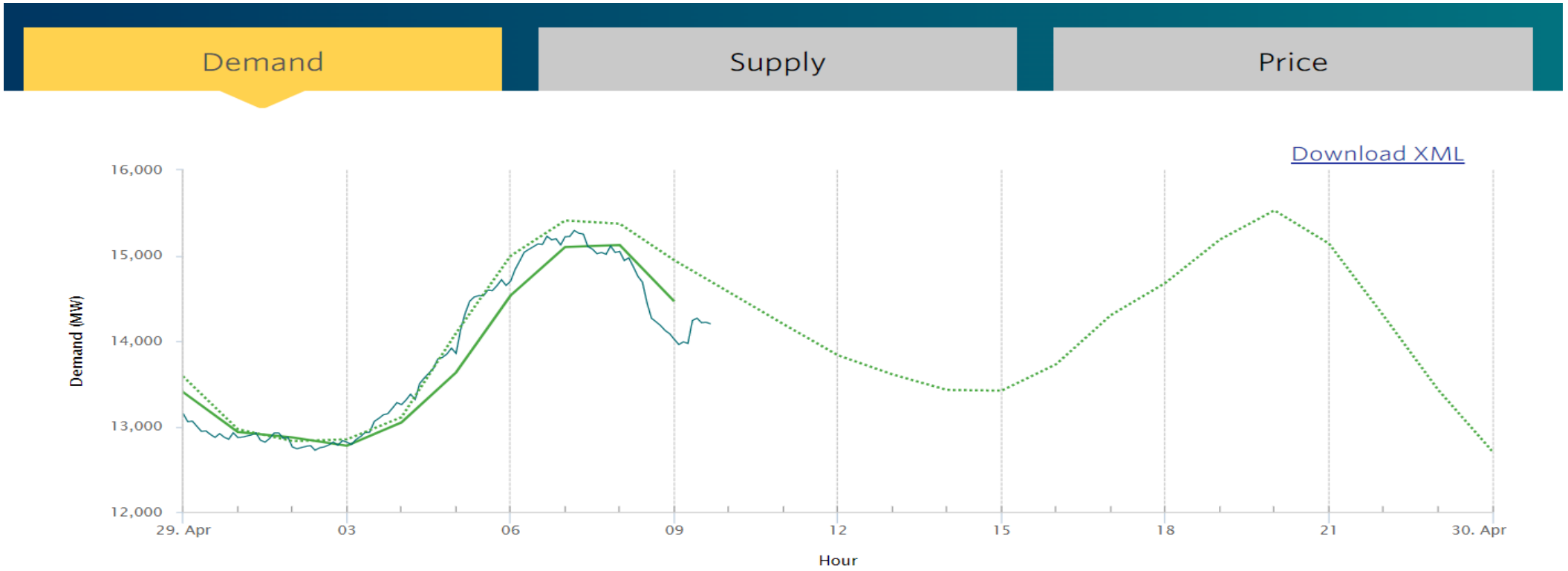
Thanks!

First break for questions

IESO's Role: Administering the ICI Program

- Reliable operation of the Ontario Power System
- Oversee settlement of the IESO-administered markets and various programs and regulations, including GA
  - Calculate GA amounts, allocate by Class and publish rates
  - Coordinates with LDCs and Market Participants the ICI eligibility requirements
  - Publish various information in support of O. Reg. 429/04 and ICI

Ontario Demand



Ontario demand represents the total energy that was supplied from the IESO-administered market for the purpose of supplying load within Ontario. It is established every 5 minutes by the constrained run of the IESO's Dispatch Scheduling and Optimization (DSO) algorithm.

ICI Ontario Demand Peak Tracker

- O. Reg. 429/04 has been amended to use real-time Ontario demand as the basis for establishing peak hours during the base period
  - Peak hours can be identified as they occur and finalized by the 3rd business day (this accounts for potential "Administrative Pricing" events)
- IESO publishes information to assist ICI customers in tracking Ontario demand and peak hours. These include:
  - Peak Tracker
  - Power Data and Data Directory
  - IESO Public Reports site

Peak Tracker

IESO Webpage which provides up to date information for ICI customers and consists of three main components:

- Forecasted Ontario Demand Daily Peak for Next Six Days
  - Forecasted Ontario demand daily peak and hour over the next six days
- Today's Ontario Demand Forecast
  - Forecasted Ontario demand for the next 24 hours
- ICI Ontario Demand Peak Tracker
  - Tabulates the top 10 Ontario demand values for the current base period that are used to track ICI peak hours

ICI Ontario Demand Peak Tracker

Top 10 peak hours and ICI Ontario demand values with coincident adjusted AQEW values to date

The table below provides a real-time snapshot of the top 10 peak hours and ICI Ontario demand values with coincident adjusted AQEW values for the current base period. This information can be used by ICI customers to track ICI Ontario demand peaks and estimate their GA allocation for the peak hour.

Last updated May 03, 2022

Rank	Date	Hour Ending (EST)	ICI Ontario Demand* (MW)	Coincident Adjusted AQEW (MWh)	Status* (Initial, Prelim, Final)
1	May 02, 2022	17	16,233		
2	May 01, 2022	20	15,045		
3	May 03, 2022	7	14,652		

- Continually updated as new information becomes available
- ICI customers can use published Coincident Adjusted AQEW values as they become available to estimate their GA costs
- **NEW** – Functionality to identify status of Ontario demand (initial/final) is coming

Ontario Demand Reports

Real-time Constrained Totals Report

- 5 minute Ontario demand report; xml and csv; published every 5 minutes

Hourly Ontario Demand Report

- Based on real-time constrained totals report; csv; published next day for previous day

Adjusted AQEW Report

- Hourly Adjusted AQEW status and values; csv; published every business day as per Physical Market Settlement Schedule

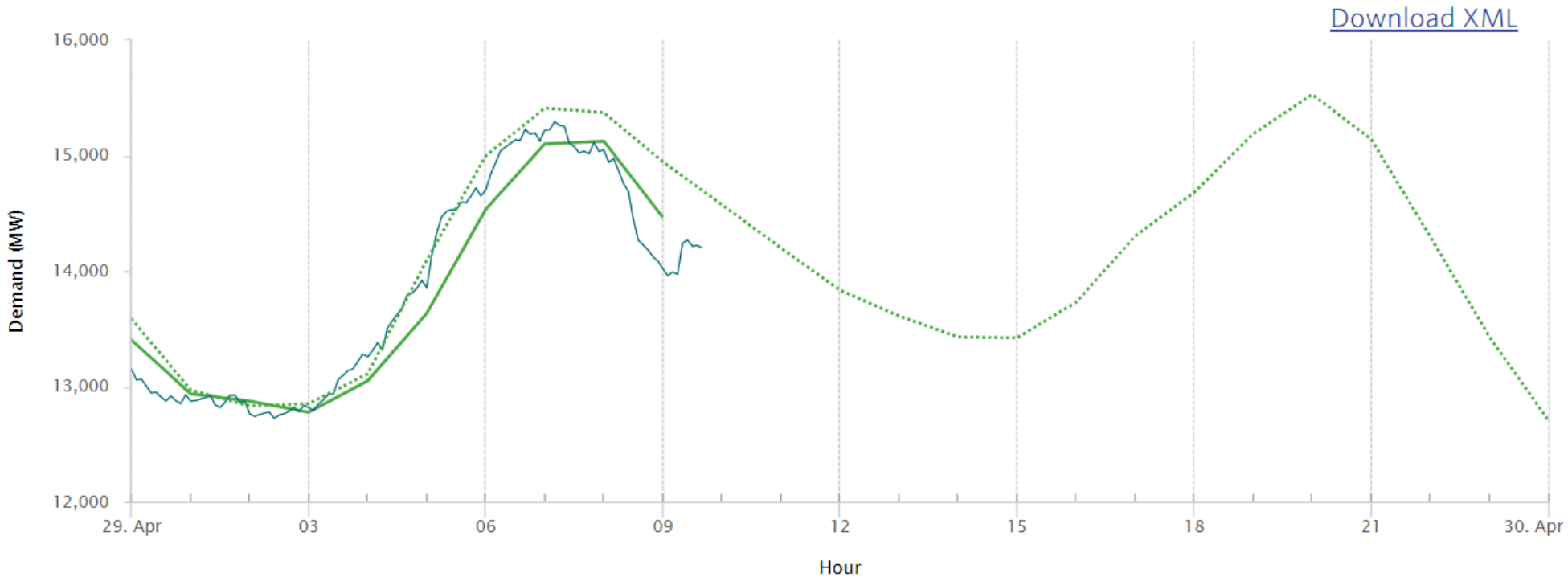
NEW ICI Ontario Demand Report (O. Reg. 429/04)

- Same as Hourly Ontario Demand Report but final after 3 business days; csv; published every hour per base period

Ontario Demand

Demand | Supply | Price

Download XML



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Timelines

Regulation amendments came into effect May 1, 2022

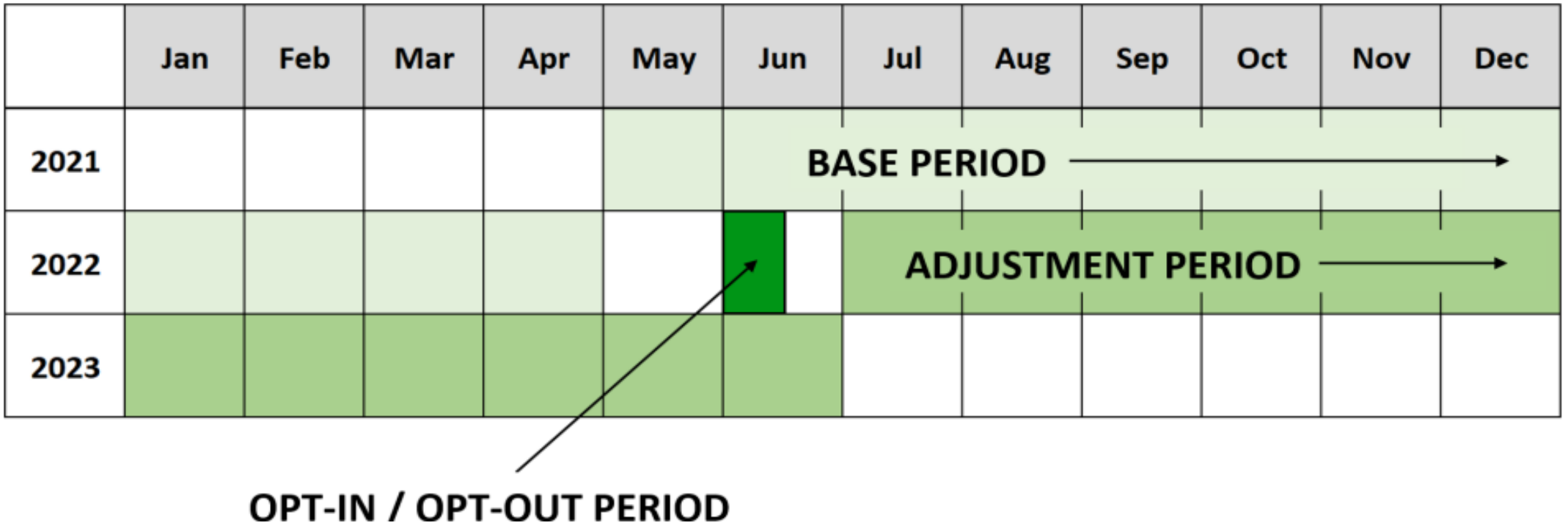
- May 1, 2021 – April 30, 2022 base period uses adjusted AQEW values to establish peak hours
- May 1, 2022 – April 30, 2023 base period uses ICI Ontario demand values to establish peak hours

Peak Demand Factor

- Class A customers are assessed their portion of GA costs based on the percentage that their consumption contributes to the top five peak hours during a predetermined base period, referred to as their Peak Demand Factor (PDF).
- Calculated as V/W where:
  - V is the volume of electricity withdrawn by the Class A customer during the peak hours
  - W is the total volume of electricity withdrawn by market participants during the peak hours

Process and Timelines

- Base period: May 1-April 30
- Adjustment period: July 1-June 30



Key Takeaways

- Beginning May 1, 2022 base period, ICI peak hours will be established using real-time Ontario demand
  - ICI Ontario demand values are available after each hour and confirmed 3 business days later
  - Peak Tracker has been updated to reflect this change
  - PDF calculations remain unchanged
- The PDF you receive on May 31, 2022 will reflect the peak hours as established using "Adjusted AQEW" values

Open for Q&A

Thanks for your time!

For any PDF questions: settlement.PDF@ieso.ca

For any other follow-up questions: customer.relations@ieso.ca

Thank You

ieso.ca

1.888.448.7777

customer.relations@ieso.ca

engagement@ieso.ca

@IESO_Tweets

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